

# **PRAESIDIUM**

---

## **INVESTMENT MANAGEMENT**

### **Part 2A of Form ADV Firm Brochure**

1411 Broadway, 29<sup>th</sup> Floor  
New York, NY 10018  
Tel: (212) 821-1490  
Fax: (212) 821-1494  
[www.praesidiumim.com](http://www.praesidiumim.com)

March 27, 2020

**This brochure provides information about the qualifications and business practices of Praesidium Investment Management Company, LLC, an investment adviser that is registered with the United States Securities and Exchange Commission (“SEC”). Registration with the SEC does not imply a certain level of skill or training.**

**If you have any questions about the contents of this brochure, please contact us at (212) 821-1495 or by email at: [prsm-ops@praesidiumim.com](mailto:prsm-ops@praesidiumim.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Praesidium Investment Management Company, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Praesidium Investment Management Company, LLC’s CRD number is 137980.**

## Item 2. Material Changes

Our last annual update to Part 2A of Praesidium Investment Management Company, LLC's Form ADV was on March 29, 2019. This annual update does not contain any material changes but includes routine annual updating changes, clarifying changes, enhanced disclosures in this brochure, and updated regulatory assets under management. We recommend that you read this Form ADV Part 2A in its entirety.

## Item 3. Table of Contents

Item 2. Material Changes .....	2
Item 3. Table of Contents .....	2
Item 4. Advisory Business.....	3
Item 5. Fees and Compensation.....	3
Item 6. Performance Based Fees and Side-by-Side Management.....	6
Item 7. Types of Clients .....	6
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Item 9. Disciplinary Information.....	12
Item 10. Other Financial Industry Activities and Affiliations.....	13
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading....	13
Item 12. Brokerage Practices.....	14
Item 13. Review of Accounts .....	16
Item 14. Client Referrals and Other Compensation .....	17
Item 15. Custody .....	17
Item 16. Investment Discretion .....	17
Item 17. Voting Client Securities .....	18
Item 18. Financial Information.....	19

## **Item 4. Advisory Business**

Praesidium Investment Management Company, LLC (the “adviser” or “firm”) was founded in 2003 and its principal place of business is in New York, New York. The firm is registered as an investment adviser with the SEC. Our firm is principally owned by Kevin Oram and Peter Uddo, who are the Managing Members.

We specialize in providing discretionary investment advisory services to separately managed accounts (“managed accounts”) and private pooled investment vehicles (“private funds”), (the “managed accounts” and, together with the private funds, the “clients”). In providing our advisory services, we seek to achieve capital appreciation by employing a rigorous, independent research and security selection process. Through this process, we seek to identify and invest in companies that are selling in the public markets at discounts that we believe are significant to their underlying intrinsic values. While we intend to invest primarily in global equity securities, our clients give us the authority and flexibility to invest in other types of securities that we deem appropriate.

Our firm tailors our advisory services in accordance with each client’s needs and investment strategy as disclosed in its offering documents or managed account investment management agreement. For our private funds, we adhere to the investment strategy set forth in each private fund’s offering documents. For each managed accounts, we start with the investment strategy employed for our private funds and then tailor that strategy to meet each managed account’s investment guidelines. We then execute an investment management agreement that defines that managed account’s investment objective, which we undertake to follow conscientiously. Any investment restrictions applicable to any of our clients are set forth in a client’s offering documents and/or investment management agreement.

For more information on the investment strategy of our clients, please refer to the section “Methods of Analysis, Investment Strategies and Risk of Loss.”

We do not participate in wrap fee programs.

As of December 31, 2019, we managed approximately \$1,985,120,811 of regulatory assets under management on behalf of our clients, all of which were managed on a discretionary basis. This number is based on estimated and unaudited information as of such date and is therefore subject to change.

## **Item 5. Fees and Compensation**

### **Fees and Compensation**

Our firm, or an affiliate of our firm, typically receives compensation from each of our clients based on both the percentage of assets we manage and on performance achieved for each client’s account. Because interests in our private funds are only offered to “qualified purchasers” as defined in the Investment Company Act of 1940, as amended (the “Investment Company Act”), and all our managed accounts are “qualified purchasers,” this brochure does not contain our advisory service

fee schedule. These fees are fully disclosed in each private fund's governing documents and each managed account's investment management agreement.

Our fees and compensation for our private funds are generally not negotiable. We have the general discretion to waive all or a portion of the asset-based management fee and/or the performance-based compensation, but typically only exercise this discretion for investors in our private funds that are our affiliates or employees. All of our managed accounts may negotiate asset-based fees and performance-based compensation based on various factors and strategies.

The private funds may enter into agreements, commonly referred to as "side letters," with certain prospective or existing investors whereby we, in our sole discretion, may reduce or rebate fees to be paid by the investor and/or other terms.

### **Billing Procedures**

The asset-based management fee that we charge our private funds is payable at the beginning of each quarter. The investors in our private funds can generally only withdraw money from a private fund on the last day of each quarter, so they are not likely to pay an asset-based management fee in excess of what they owe. We also deduct the performance-based compensation from our private funds' investors' accounts at the end of each year or when investors make a withdrawal (but only on the amount withdrawn).

We bill our managed accounts for both our asset-based management fee and performance-based compensation. The majority of our managed accounts are billed quarterly in advance for our asset-based management fee, while certain other managed accounts are billed quarterly in arrears for our asset-based management fee. All of our managed accounts are billed annually or when a withdrawal is made (but only on the withdrawn amount) for our performance-based compensation. Our managed accounts typically can withdraw money on any business day, provided that sufficient timely notice (as specified in the investment management agreement) is given. In the event a withdrawal or account termination occurs on any day other than the last day of a quarter, we will refund that managed account any unearned asset-based fees.

### **Other Expenses**

In connection with our advisory services, our private funds bear all of their own expenses, which for Praesidium Strategic Opportunities Offshore Fund, Ltd. include those expenses of its master fund (Praesidium Strategic Opportunities Offshore Master Fund, L.P.). Such expenses include the following:

- all costs and expenses directly related to portfolio investments, including brokerage commissions and other transaction costs, custody fees and fees of professional advisors and consultants relating to investments,
- any withholding, transfer or other taxes imposed or assessed on, or payable by, the private fund or any of its investors (including interest and penalties),
- any governmental, regulatory, licensing, filing or registration fees incurred in compliance with the rules of any self-regulatory organization or any U.S. federal, state or local laws,

- registrar and transfer agency expense, if applicable,
- any interest due to the private funds' investors in connection with capital withdrawals or redemptions,
- any legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against the private fund or its general partner in its capacity as such,
- the cost of the audit of the private fund's financial statements and the preparation of its tax returns and tax compliance,
- the fees and expenses of the private fund's accountants in connection with accounting advice relating to the private fund's day-to-day affairs and all costs related to the keeping of the books and records of the private fund,
- the fees and expenses of any administrator,
- the fees and expenses of the private fund's counsel in connection with advice directly relating to the private fund's legal affairs,
- all costs and expenses associated with the organization of the private fund and the offering of interests or shares, as applicable, including legal and accounting fees, printing costs, travel and out-of-pocket expenses and compliance with any applicable U.S. federal and state laws;
- all costs and expenses of holding any meetings of the private fund's investors,
- the expense of the private fund's investment committee and the members thereof,
- the costs, fees and expenses for other third-party research (including calls, meetings and conferences hosted by third party research providers), news, industry information, analytics and expert networks/research resources,
- the costs of any liability insurance obtained on behalf of the private fund, the general partner of the private fund or the adviser, and
- all costs and expenses associated with reporting and providing information to existing and prospective private fund investors.

Our managed accounts pay for all of their own operating expenses. This includes all custodial fees, brokerage commissions, clearing fees, investment expenses, and interest, withholding or transfer taxes and all costs of administration of the managed account, including accounting, audit and legal expenses and costs associated with reporting and providing information pursuant to the investment management agreement incurred in connection with trading for the managed account.

While the expenses listed above are detailed, they do not contemplate every possible expense a client may incur. Investors in our private funds should review the governing documents for each applicable private fund in which they invest, which may discuss additional costs, fees and expenses not discussed in this brochure.

For more information on brokerage transactions and costs, please see Item 12: Brokerage Practices.

Neither our firm nor any of our principals or employees receives any compensation for the sale of securities or other investment products.

## **Item 6. Performance Based Fees and Side-by-Side Management**

Our firm, or an affiliate of our firm, receives performance-based compensation from our clients. Performance-based fees are charged in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Please refer to the “Fees and Compensation” section above for a more detailed explanation of our performance-based compensation. The precise amount of, and the manner and calculation of, the performance-based fee for each client is disclosed in the applicable organizational and offering documents.

The existence of the performance-based compensation may create an incentive for us or our affiliates to make riskier or more speculative investments on behalf of our clients. Our firm’s investment in our private funds aids in aligning our interests with the interests of our private funds. As described in more detail below, our firm has adopted allocation policies designed to treat all clients fairly and equitably in accordance with the applicable governing documents. We do not manage any clients that do not pay performance-based compensation.

## **Item 7. Types of Clients**

All of our clients are private funds and managed accounts, which are entities such as endowments, foundations, family offices, pension and profit sharing plans, charitable organizations and fund of funds, to which we provide advice through investment management agreements. Our private funds rely on certain exclusions from the definition of an “investment company” in the Investment Company Act. Accordingly, none of our private funds are registered as investment companies with the SEC. Investors in the private funds are generally (i) “accredited investors” within the meaning of the rules and regulations promulgated under the Securities Act of 1933, as amended, and (ii) “qualified purchasers” or “knowledgeable employees” within the meaning of the rules and regulations promulgated under the Investment Company Act.

Investors in Praesidium Strategic Opportunities Fund, LP and Praesidium Strategic Opportunities Offshore Fund, Ltd. are generally required to make a minimum investment of \$500,000. We have the sole discretion to, and on occasion have and in the future may, accept investments for a lesser amount.

The general minimum investment required to open a managed account is typically \$25,000,000. We have the sole discretion to, and on occasion have and in the future may, accept investments for a lesser amount.

This firm brochure is not an offer to invest in our private funds.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

### Investment Strategy and Research Process

In managing our clients' accounts, we seek to generate superior, absolute returns for our clients through the implementation of our private enterprise approach to investing. Our strategy is focused on identifying long-only equity investments in the securities of undervalued public companies using in depth, bottoms-up research. In many cases, we seek to work with the management teams of portfolio companies with the goal of increasing the value of the company.

Our investment process is based upon fundamental business and credit analysis, capital structure and liquidation analysis, a review of all legal documentation surrounding an issuer's securities and identification of an investment catalyst.

In making investment decisions, we rely on internally generated research derived from annual reports, prospectuses, filings with the SEC, corporate press releases, inspections of corporate activities, conversations with the firm and/or competitors, consultation with industry experts, financial newspapers, magazines and other sources. We may also use research materials prepared by others in making an investment decision. During the research process, we make an assessment of the quality of the security in question by examining, among other things, financial metrics of the relevant company, the integrity and strategic vision of the management team and the ability to execute such strategy, as well as the attractiveness and risks of the company's industry.

We then determine what we believe is a fair valuation for the security based on a combination of its future earnings, operating cash flow, free cash flow, liquidation value and revenues. If the public market price for the security is significantly below our fair valuation, we may attempt to purchase the security for our clients' portfolios. If we believe the security is priced significantly above our fair valuation and the security is currently included in a client's portfolio, we will generally sell some or all of the position in the security. Performing this combined qualitative and quantitative approach to stock selection encompasses the majority of our daily activity.

### Risks

Despite our thorough research and analysis, there is always the possibility that we may not correctly predict or evaluate the future performance of certain securities. Investing in any securities involves a risk of loss that any of our clients or any of the investors in our clients must be prepared to bear.

The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategy.

For a complete explanation of all relevant investment strategies and their associated risks, our clients, or investors in our clients, should also review each applicable private fund's private placement memorandum or managed account investment management agreement, which may contain explanations of additional strategies, risks and other related details not discussed below.

- *Dependence on our Firm.* Client portfolios are dependent on the continued service and active trading efforts of our key managers and employees, including Kevin Oram and Peter

Uddo. If the services of any key managers or employees with our firm were to discontinue or lapse for any reason, our clients' portfolios would likely be adversely affected.

- *Investment Judgment and Market Risk.* The success of our investment programs depends, in large part, on correctly evaluating future price movements of potential investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment programs will be successful.
- *Risk of Loss.* The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. No guarantee or representation is made that our investment program, including, without limitation, our investment objectives, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred.
- *Long-Term.* The success of our long-term investment strategy depends upon our ability to identify and purchase securities that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, we may forego value in the short-term in order to pursue longer-term opportunities in the future. Consequently, we may not capture maximum available value in the short term, which may be disadvantageous, for example, for investors who withdraw all or a portion of their investment from the portfolios managed by us before such long-term value may be realized.
- *Sources of Information.* We utilize information, reports, and data from various external sources and conduct meetings with the management of current and prospective companies. Our investment decision-making is based primarily upon our internal research and analytical capabilities, including the research and analytical experience and expertise of our investment team.
- *Lack of Diversification.* Our investment strategy involves a high level of portfolio concentration, which means that we may invest a greater percentage of our clients' assets in the securities of fewer issuers. In general, a less diversified portfolio bears more risk than a broadly diversified portfolio. These factors may also affect the level, volatility and the liquidity of investments.
- *Active Shareholder.* We work closely with management teams in seeking to help them improve their allocation of capital including offering various ways to unlock/increase shareholder value. The success of the our investment strategy depends upon, among other things: (i) our ability to acquire securities at a sufficiently attractive price; (ii) the willingness of the management of such companies and other security holders to respond positively to the our proposals; and (iii) favorable movements in the market price of any such company's securities in response to any actions taken by such company. There can be no assurance that any of the foregoing will occur.
- *Equity Securities Generally.* We primarily trade equity securities. Market prices of equity securities generally, and of certain companies' equity securities more particularly, are



frequently subject to greater volatility than prices of fixed income securities. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future.

- *Small-Cap Stocks.* We may invest in securities of small-capitalization companies on behalf of our clients. The value of small-capitalization company securities may be subject to wider price fluctuations and may be difficult to sell. Low trading volume in a company's securities means that we may have to sell holdings at a discount from quoted prices or make a series of small sales over an extended period of time. In addition, small-capitalization companies may generate less information on which to base investment decisions. Small-capitalization companies are often subject to risks related to lack the management experience, lack of financial resources, reliance on a single product and the inability to compete with better capitalized companies with more experienced managers.
- *Cash Management.* We may at any time hold a small percentage of our clients' accounts in cash or cash equivalents for a variety of reasons, including if we formulate a view about available appropriate investment opportunities. The percentage of cash or cash equivalents held may be affected by trading (e.g., buying and selling assets), potential exposure of assets, withdrawals and subscriptions. The percentage of cash or cash equivalents held may impact performance and prolonged periods of holding cash or cash equivalents could have a material adverse impact on performance.
- *Foreign Securities.* We may make investments in foreign securities on behalf of our clients. Investments in foreign securities involve certain risks not typically associated with investments in U.S. securities. These risks are related to (i) changes in the rate of exchange between the U.S. dollar and the various foreign currencies in which our clients' portfolio securities will be denominated, (ii) costs of converting funds from one currency to another, (iii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards, disclosure requirements, and less government supervision and regulation; (iv) political, social or economic instability, (v) imposition of foreign income, withholding or other taxes and (vi) the extension of credit, especially in the case of sovereign debt.
- *Forward Foreign Exchange Contracts.* We may enter into forward currency exchange contracts on behalf of our clients in an effort to hedge against movements in the value of foreign currencies relative to the U.S. dollar. A forward foreign exchange contract involves an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Foreign currency exchange contracts will not eliminate fluctuations in the value of our clients' assets and liabilities denominated in foreign currencies. However, these contracts will allow us to establish a rate of exchange for a future point in time. If we do seek to hedge our clients' foreign currency exposure through the use of forward foreign currency exchange contracts or currency swaps, our clients' will be subject to the risk that our counterparties to the arrangements fail to perform. Any default or failure to perform by a counterparty would eliminate any profit potential and compel us to cover our clients' commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses for our clients.

- *Material Non-Public Information.* We have adopted certain measures to prevent and detect the possession of material non-public information. However, from time to time, the members or employees of the firm may come into possession of material non-public information concerning an entity in which the private funds and managed accounts have invested or propose to invest. In the event that material, non-public information is obtained with respect to such companies or in the event that the firm becomes subject to trading restrictions pursuant to the internal trading policies of such companies or as a result of applicable law or regulations, the firm may be prohibited for a period of time from purchasing or selling the securities of such companies, which prohibition may have an adverse effect on the private funds or managed accounts.
- *Industry Experts.* We may engage and retain strategic advisers, consultants and other similar professionals, including members of “expert networks” who are not employees or affiliates of the adviser and who may include former senior public company officers or directors, former senior officials and other political figures. The nature of the relationship with each of these professionals and the amount of time devoted or required to be devoted by them may vary considerably. The adviser generally expects to have formal arrangements with these professionals (which may or may not be terminable upon notice by any party), but in other cases the relationships may be more informal. There can be no guarantee that the use of consultants will have a positive impact on client performance and, in certain instances, the clients’ performance may be negatively impacted.
- *Valuations.* From time to time, certain situations affecting the valuation of the clients’ investments could have an impact on the net asset value, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. The adviser is not required to make retroactive adjustments to prior transactions, management fees, performance fees or performance allocations based on subsequent valuation data.
- *Cybersecurity Risk.* Our clients or investors in our clients and any of their service providers, including the firm and its affiliates, are subject to cybersecurity risks. As part of our business, we process, store and transmit large amounts of electronic information, including information relating to the transactions of our clients or investors in our clients. Similarly, service providers of the firm or the clients, especially the administrator for the private funds, may process, store and transmit such information. We have procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. Cybersecurity incidents may cause our clients or investors in our clients to suffer financial losses, interfere with the ability to calculate a client’s or an investor’s in our clients net asset value, impede trading, disrupt the ability of our clients or investors in our clients to subscribe for or redeem their shares or interests, violate privacy and other laws and incur regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In addition, certain costs may be incurred in order to prevent any cybersecurity incidents in the future that could adversely impact the clients or investors in our clients. Similar types of operational and technology risks are also present for the companies in which our clients invest, which could have material adverse consequences for such companies, and may cause the clients’ investments to lose value.

- Force Majeure.* Portfolio investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a portfolio investment or other service provider) to perform its obligations until it is able to remedy the force majeure event. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on portfolio investments. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which Praesidium's Clients may invest specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, could result in a loss to Praesidium Clients, including if the investment is canceled, unwound or acquired (which could be without adequate compensation). Prolonged changes in climatic conditions may have significant impact on the revenues, expenses and conditions of certain Praesidium Client investments. While the precise future effects of climate change are unknown, it is possible that climate change could affect precipitation levels, droughts, wind levels, annual sunshine, sea levels and the severity and frequency of storms and other severe weather events. These natural occurrences could cause certain portfolio investments and other service providers to incur expenses to prevent damages. Any of the foregoing may therefore adversely affect the performance of Praesidium Client and their investments.
- Side Letters.* The private funds may enter into agreements, commonly referred to as "side letters," with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous without obtaining the consent of any other investor. For example, such terms and conditions may provide for special rights to make future investments in the private fund, other investment vehicles or managed accounts; special withdrawal rights relating to frequency or notice; a reduction or rebate in fees to be paid by the investor and/or other terms; rights to receive reports on a more frequent basis or that include information not provided to other investors and such other rights as may be negotiated.
- Withdrawal of the United Kingdom from the European Union.* The European Union (Withdrawal Agreement) Act 2020 has passed the Parliament of the United Kingdom, and consequently the United Kingdom left the European Union on January 31, 2020 ("Brexit"). Under the negotiated "Withdrawal Agreement," the UK-EU relationship entered into a transition period from February 1 to December 31, 2020. The nature of the future trading relationship between the United Kingdom and the European Union is still being negotiated. There is no legal, political, regulatory and/or economic certainty as to the ongoing relationship that will exist between the United Kingdom and the European Union post-transition period and it remains impossible to predict or definitively state the economic, tax, fiscal, legal, regulatory and other impacts on the asset management industry, the broader European and global financial markets generally and our clients and their investments. This

uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the United Kingdom or the European Union, including companies or assets held or considered for prospective investment by our clients.

- *Disease and Epidemics.* The impact of disease and epidemics may have a negative impact on our business, our clients and their performance and financial position. Coronavirus, renewed outbreaks of other epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses, and could also result in a general economic decline. For example, such events may adversely impact economic activity through disruption in supply and delivery chains. Moreover, our operations and those of our clients or portfolio companies could be negatively affected if personnel are quarantined as the result of, or in order to avoid, exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses may have a material adverse effect on business and results of operations. A resulting negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on our business, our funds and underlying portfolio investments. The duration of the business disruption and related financial impact caused by a widespread health crisis cannot be reasonably estimated. In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The speed and extent of the spread of the coronavirus, and the duration and intensity of resulting business disruption and related financial and social impact, are uncertain, and such adverse effects may be material. While governmental agencies and private sector participants will seek to mitigate the adverse effects of the coronavirus, which may include such measures as heightened sanitary practices, telecommuting, quarantine, curtailment or cessation of travel, and other restrictions, and the medical community is seeking to develop vaccines and other treatment options, the efficacy of such measures is uncertain. Our operations and business results, including with respect to any particular client or their investee portfolio companies, could be materially adversely affected. The extent to which the coronavirus (or any other disease or epidemic) impacts business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

## **Item 9. Disciplinary Information**

Neither our firm, nor any of our directors, officers or principals has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither our firm, nor any of our directors, officers or principals has been found (1) to have caused an investment-related business to lose its authorization to do business or (2) to have been involved

in a violation of an investment-related statute or regulation and the subject of an order in connection with any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm, nor any of our directors, officers or principals has been involved in any self-regulatory organization proceedings.

## **Item 10. Other Financial Industry Activities and Affiliations**

Neither our firm, nor any of our directors, officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

### Affiliations with Pooled Investment Vehicles

Our firm and our affiliate, Praesidium Advisors, LLC, have sponsored a number of private funds that we manage. Praesidium Advisors, LLC serves as the general partner to some of our private funds. Our private funds do not have independent management, and we selected the initial directors for our offshore fund that is structured as a corporation. Although this arrangement may give us heightened control and discretion over our private funds, we manage any potential conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in each private fund's offering documents.

We do not recommend or select other investment advisers for our clients.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

All of the firm's personnel are required to comply with applicable federal securities laws. We have adopted a Code of Ethics in accordance with Rule 204A-1 under the Advisers Act. Our Code of Ethics works to ensure that our employees' actions, including their personal securities transactions, are consistent with our firm's fiduciary duty to our clients and to ensure compliance with legal and regulatory requirements. Our Code of Ethics focuses on specific areas where employee conduct has the potential to affect clients or clients' investors' interests adversely, such as personal securities trading, outside activities, gifts, borrowing and lending, and the influence of personal relationships and charitable contributions. Our Code of Ethics requires employees to submit quarterly and annual statements to our Chief Compliance Officer for any account holding securities in which an employee or certain family members have an interest. Most employee trades in which an employee or certain family members have an interest must be reviewed and pre-approved by our Chief Compliance Officer or his designee. Our clients or investors in our clients, or any prospective

clients or prospective investors in our clients may obtain a copy of our Code of Ethics by contacting Mr. John Scott, our Chief Compliance Officer, at (212) 821-1495.

Our employees are generally not permitted to execute transactions on behalf of personal accounts.

Our Code of Ethics also requires employees to:

- pre-clear certain personal securities transactions,
- report personal securities transactions on at least a quarterly basis, and
- provide our Chief Compliance Officer with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which employees have a direct or indirect beneficial interest.

We have established procedures intended to limit conflicts of interest in cases where our firm, our employees and/or other related parties buy or sell securities that we recommend to clients. Employees are generally restricted from transacting in certain securities, as set forth in our Code of Ethics, on behalf of their personal accounts. Employees that wish to transact in a restricted security may do so only upon the approval of the Chief Compliance Officer. Approvals shall only be granted in cases of compelling hardship.

The Adviser, its employees and related entities have an investment in the private funds. Therefore, the Adviser, its employees and related entities participate in transactions of the private funds. Our firm's investment in our private funds aids in aligning our interests with the interests of our private funds.

Currently, our firm, our affiliates or employees of our firm do not buy or sell for client accounts securities in which they have a material financial interest.

## **Item 12. Brokerage Practices**

### Research and Other Soft Dollar Benefits

We have sole discretionary authority to determine, without our clients' consent, the broker or dealer to be used and the commission rates paid within the guidelines established in the clients' governing documents or investment management agreement, as applicable. In selecting a broker, we seek the best available combination of execution and overall price (which includes the cost of the transaction). We consider such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, and any research or investment-management-related services provided by such brokers. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research or investment-management-related services provided by such broker, our clients' may pay commissions to that broker in an amount greater than the amount another broker might charge, in recognition of the value of research services provided by the broker.

We enter into soft dollar arrangements, and limit such arrangements for research and brokerage services as permitted within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934,

as amended. We have engaged a FINRA registered broker dealer for commission aggregation and third party research payment in association with its use of soft dollars. Commission aggregation allows us to seek best execution across a network of brokers while consolidating the administrative and reporting functions of the soft dollar payments.

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between us and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

In some instances, we may receive a product or service that may be used only partially for functions within Section 28(e) (e.g. an order management system, trade analytical software or proxy services). In such instances, we will make a good faith effort to determine the relative proportion of the product or service used to assist us in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting us in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by us from our own resources.

We typically trade securities on behalf of our clients on an aggregated basis and allocate any costs and soft dollar benefits generated to our clients on a pro rata basis. As a result of this practice, soft dollar benefits are not allocated to each client in proportion to the soft dollar credits each client generates. Instead, all of our clients generally benefit equally from the soft dollars generated by our aggregate trading method. In certain instances, such as when we enter into a relationship with a new client, we may trade securities for a single client. In these instances, any soft dollar benefits generated are allocated among all of our clients on a pro rata basis.

#### The Use of Soft Dollars Can Create a Conflict of Interest

Using client transactions to obtain soft dollar benefits creates incentives that result in conflicts of interest between advisers and their clients. Specifically, when we use a portion of our commissions to obtain soft dollar benefits our profitability is increased because we do not have to produce or pay for the research products and services. The availability of these soft dollar benefits may influence us to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the soft dollar benefits instead of on our clients' interest in receiving the best execution prices. Obtaining these soft dollar benefits may cause our clients to pay higher fees than those charged by other broker-dealers.

We direct our clients' transactions to broker-dealers based on overall best execution, as explained above. Our Chief Compliance Officer periodically reviews our brokerage practices and procedures to ensure that we are achieving best execution on all trades for our clients.

#### Brokerage for Client Referrals

We do not consider referrals in selecting or recommending Broker-Dealers.

#### Directed Brokerage

We do not permit a client or investor to direct brokerage. Rather, we have complete discretionary authority to select the broker-dealers used to execute client transactions.

#### Trade Aggregation

We typically aggregate the purchase or sale of the securities for our client accounts. We allocate the securities purchased (or sold) among our participating clients so that each client receives the same terms. We also seek to execute orders for all participating clients on an equitable basis. We typically place combined orders for all these accounts simultaneously, and, if all these orders are not filled at the same price, we average the prices paid. Similarly, if an order on behalf of more than one client account cannot be fully executed under current market conditions, we allocate the trade among the different client accounts on a pro rata basis. Generally, clients can benefit when we aggregate trades because we get volume discounts on execution costs. On the other hand, situations may occur where one client could be disadvantaged because of the investment activities we conduct for other clients.

As a general rule, all trading errors affecting a client's account are promptly investigated and resolved fairly. Unless we determine, in our sole discretion, that a trade error was the result of our bad faith, willful misconduct, fraud or gross negligence, any losses associated with trade errors that are not recovered from a third party are borne by the applicable clients, unless otherwise disclosed in the client's governing documents.

### **Item 13. Review of Accounts**

Kevin Oram and Peter Uddo, our firm's portfolio managers, as well as the Chief Financial Officer and Operations Team, monitor and review client accounts on a daily basis for their respective positions, size, profit/loss and risk limits. Our Operations Team also reconciles cash and positions for all accounts to the custodians' records as well as all the trading activity to brokers' reports on a daily basis.

We provide investors in our private funds with written monthly estimated performance reports and statements showing the investor their unaudited and estimated capital balance/net asset value, as well as a snapshot of all portfolio positions. On a quarterly basis, investors receive letters from our portfolio managers. We also provide investors in our private funds with annual audited financial statements examined by independent auditors, as well as annual tax information.

Our managed account clients receive custodial statements directly from their respective custodians. We provide our managed accounts with written monthly reports that include performance data and



a reconciliation between our records and those of the managed account's third-party custodian. We may also provide additional information to certain of our managed accounts pursuant to special agreements, as set forth in their investment management agreement.

In addition to the information provided to all of our clients' investors, we may arrange to provide certain investors of our clients with additional information or more frequent reports that other investors will not receive.

## **Item 14. Client Referrals and Other Compensation**

Our firm does not, nor does any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our clients.

Our firm does not, nor does any principals or employees of our firm, compensate anyone for client referrals.

## **Item 15. Custody**

While it is our firm's practice not to accept or maintain physical possession of any of our clients' assets, we are deemed to have custody of our private funds' assets under Rule 206(4)-2 of the Advisers Act because we have the authority to access and deduct fees and expenses from our private funds' accounts.

In order to comply with Rule 206(4)-2, we utilize the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all of our private funds' assets. We also ensure that the qualified custodian maintains these funds in accounts that contain only private funds' funds and securities, under our name as agent for the clients. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit our private funds at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors in our clients within 120 days after the end of the fiscal year.

We are not deemed to have custody of the assets of our managed accounts. Managed accounts will receive account statements directly from their custodian and should review them carefully. They should compare the account statements they receive from their custodian with any reports that we send them.

## **Item 16. Investment Discretion**

### Scope of Authority

Our firm accepts discretionary authority to manage our clients' securities accounts. Essentially, this means that we have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we

are committed to adhering to the investment strategy and program set forth in each of our clients' offering documents and/or investment management agreement.

#### Procedures for Assuming Authority

Before accepting their subscriptions for interests, we provide all investors in our private funds and our managed accounts with an offering document and/or investment management agreement that sets forth, in detail, the relevant client's investment strategy and program. By completing our subscription documents to acquire an interest in one of our private funds or an investment management agreement to set up a managed account, investors give us complete authority to manage their investments in accordance with the offering document and/or investment management agreement they each received.

## **Item 17. Voting Client Securities**

#### Proxy Voting Policies and Procedures

Because clients have, in most cases, delegated the power to vote their securities to our firm, we have implemented proxy voting policies and procedures in accordance with Rule 206(4)-6 under the Advisers Act and our fiduciary obligations to our clients. It is our firm's policy that we must vote all client proxies solely in the best interests of our clients. We generally believe that voting in the best interest of our clients entails voting in a manner that will maximize the value of the security. We have retained Institutional Shareholder Services Inc. to assist in the proxy voting process.

We are not required to vote every proxy and the failure to vote any proxy should not be construed as a violation of our fiduciary obligations. We shall not ignore or neglect our proxy voting responsibilities. However, there may be times when refraining from voting is in our clients' best interest, such as when our analysis of a particular proxy reveals that the cost of voting the proxy may exceed the expected benefit to our clients.

Upon request, our clients (and investors in our private funds) can obtain a copy of our proxy voting policies and procedures.

#### Potential Conflicts of Interest

If a proxy vote creates a material conflict between our interests and the interests of a client, we will resolve the conflict before voting the proxies. The Chief Compliance Officer will consult with Kevin Oram and Peter Uddo, our portfolio managers, and consider the following issues before taking any action:

- Whether adoption of the proposal would have a positive or negative impact on the issuer's short term or long-term value.
- Whether the issuer has already responded in some appropriate manner to the request embodied in a proposal.
- Whether the proposal itself is well framed and reasonable.

- Whether implementation of the proposal would achieve the objectives sought in the proposal.
- Whether the issues presented would best be handled through government or issuer-specific action.

#### Recordkeeping

We maintain records of (i) all proxy statements and materials we receive on behalf of clients; (ii) all proxy votes that are made on behalf of the clients; (iii) all documents that were material to a proxy vote; (iv) all written requests from clients regarding voting history; and (v) all responses (written and oral) to clients' requests. These records are available to the clients upon request.

Certain managed accounts retain their authority to vote proxies on behalf of their own account and shall receive proxies or other solicitations directly from their relevant custodian. These managed accounts shall in no way be precluded from contacting us for advice or information about a particular proxy vote. However, we shall not be deemed to have proxy voting authority solely as a result of providing investment advisory services to the managed accounts.

#### Class Actions

If "Class Action" documents are received by us on behalf of its managed accounts or private funds, we will ensure that the managed accounts or private funds either participate in, or opt out of, any class action settlements received. We will determine if it is in the best interest of the managed accounts or private funds to recover monies from a class action. The portfolio manager covering the company will determine the action to be taken when receiving class action notices. In the event we opt out of a class action settlement, we will maintain documentation of any cost/benefit analysis to support its decision.

## **Item 18. Financial Information**

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.

We have never been the subject of a bankruptcy petition.